

VZCZCXYZ0000  
OO RUEHWEB

DE RUEHWL #0923/01 3271732  
ZNY CCCCC ZZH  
O 231732Z NOV 06  
FM AMEMBASSY WELLINGTON  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3519  
INFO RUEHBY/AMEMBASSY CANBERRA IMMEDIATE 4617  
RHEHAAA/NATIONAL SECURITY COUNCIL WASHDC IMMEDIATE  
RHHMUNA/CDR USPACOM HONOLULU HI IMMEDIATE  
RHHJJAA/JICPAC HONOLULU HI IMMEDIATE  
RUEKJCS/OSD WASHINGTON DC IMMEDIATE

C O N F I D E N T I A L WELLINGTON 000923

SIPDIS

SIPDIS  
NOFORN

STATE FOR D (FRITZ), EAP/FO, EUR/RPM, AND EAP/ANP  
NSC FOR VICTOR CHA  
SECDEF FOR OSD/ISD JESSICA POWERS  
PACOM FOR J01E/J2/J233/J5/SJFHQ

E.O. 12958: DECL: 11/22/2016

TAGS: [PGOV](#) [PREL](#) [NZ](#)

SUBJECT: IS NATIONAL'S LATEST CRISIS BRASH'S TIPPING POINT?

Classified By: Political-Economic Counselor Katherine Hadda,  
for reasons 1.4 (b) and (d)

11. (C) Summary: The author of a soon to be published book claims it will prove National Party leaders have misled their own caucus and the public about the party's fundraising and other contacts with religious and corporate players during the 2005 campaign. Nats leader Don Brash only days ago got a temporary injunction from publication of his personal e-mails which he claimed were hacked. Now that it appears the book relies on e-mails provided by disgruntled party insiders, Brash says it should be published. Party officials and MPs are worried about the book but apparently even more so by Brash's response. For the first time even caucus loyalists are hinting they have had enough of him, although they are not as keen to back National Finance spokesman John Key as the media suggests. End Summary.

-----  
New Book Claims National Lied About its Campaign  
-----

12. (SBU) The author of a new book about to be hit the shelves claims it will prove National Party leader Dr. Don Brash and his closest advisers repeatedly misled the public about their 2005 election campaign. Author Nicky Hager that "The Hollow Men" will reveal that Brash worked more closely than he has admitted with the Exclusive Brethren, the secretive sect which ran an initially covert campaign against

SIPDIS

Labour at the last election. It will also show that despite his denials leadership contender John Key knew about the Brethren's campaign. Hager says the book also reveals breaches of election financing laws that National allegedly kept secret while accusing other parties of the same misdeeds. Hager says his research has uncovered National's "hidden links" with influential industry lobby groups, and says the party also had more contact with American backers than it has admitted. Hager is a known author who leans left but has also written an expose of Labour's attempts to cover up the accidental release of genetically-modified corn. New Zealand readers consider him credible.

-----  
Brash's Response May Damage His Caucus Standing  
-----

¶3. (C) Brash's handling of the book has once called into question his political judgment and his ability to handle a political crisis. Following Foreign Minister Peters' earlier release of Brash's personal e-mails Brash last week got an interim injunction preventing the publication of e-mails he said were stolen from his personal computer. Although Brash claims the court order was not aimed at Hager, it did prevent publication because the book is partially sourced from e-mails. Now that Hager has claimed the e-mails were provided by disgruntled National Party insiders and not stolen, Brash has reversed himself, saying he now wants the book published so its can be "exposed to daylight" whilst protecting the privacy of his contacts.

-----  
Latest Brash Stumble Could Be His Last as Leader  
-----

¶4. (C) Brash's reversal only drew more attention to a book that could cause National considerable long-term pain and internal disruption. A stoic Brash supporter within caucus who only two days ago told us "it would not be a good look for National to again change leaders" has now started to change his tune, questioning Brash's political talent. Another National MP tells us Brash appears increasing out of touch with the average New Zealander and freshman members of caucus will not automatically line up behind him, contrary to what outside observers are led to believe. Although the MP does not think that this particular setback will lead to Brash's ouster, he expects a challenge will arise in early ¶2007.

-----  
Leadership Contender Key's Star Rises, But Maybe Not Enough  
-----

¶5. (U) As this controversy unfolds, a new Herald DigiPoll survey shows that 17.3% of Aucklanders favor John Key as Prime Minister, only 1.5% behind the 18.8% who favor Brash. This is the first time Key has been within striking distance of usurping Brash in Preferred Prime Minister polling.

¶6. (C) Yet although the drumbeat for Key to replace Brash is growing louder by the day, especially among the country's media, there is less evidence that the National Party caucus backs him in sufficient numbers to mount a coup. One member has explained to us that some in the caucus are wary of Key's lack of political experience and uncertain over where he stands on many issues. Needless to say, damaging information in Hager's book about Key could harm his standing with caucus and public alike.

-----  
America Is Not The Book's Focus  
-----

¶7. (C) Murray McCully, National's Foreign and Defence Spokesman and a member of Brash's inner circle, told us that the party leadership is "working its way through things quietly." He said he hopes they'll get past the matter within a few days but his tone suggested he suspects this won't be possible. McCully said that he has been told by people who have read the book that it concentrates very little on American involvement in the 2005 campaign, focusing instead on the Exclusive Brethren and other campaign finance issues. McCully speculates the book may mention e-mails between Brash and a former Republican official who is a part time resident of New Zealand. McCully promised to let us know if he learns of any other American-related allegations in the book.

¶8. (C) McCully admitted that National has seen "too much untidiness" over the last months, and confided that some of the blame rests with the party's leader. It was Brash alone who had decided to seek a gag order on any release of his e-mails, said McCully, despite McCully's advice against this. When asked if the book and Brash's u-turn might be a step

too far for the National caucus, McCully first tried to laugh off any problem, noting that the caucus "will find this uneasy but this is nothing new." But he then asked rhetorically, "Who knows how tolerant they will stay?"

-----  
Comment  
-----

19. (C) We have been struck by the near despair with which our contacts are describing this latest snafu. McCully has been implicated in past leadership coups, and his remarks about not knowing the extent of caucus support, if true, are striking indications that the inner circle may not be able to continue to rally the troops as they have in the past. National's freshmen MPs have been lauded for their talent, but the downside of that for the party is that many have "day jobs" to return to if the party fails to stage a victory next election. This can only increase pressure on Brash and the rest of the leadership, although the lack of a clearly-backed successor may provide a respite.  
McCormick